



Bernalillo County, NM
**DEBT MANAGEMENT POLICY &
GUIDELINES**

Approved April 9, 2013

Bernalillo County

Debt Management Policy & Guidelines – Purpose

The County recognizes the foundation of any well-managed debt program is a comprehensive debt management policy. The Debt Management Policy & Guidelines set forth the parameters for issuing debt and managing the outstanding debt portfolio and provides guidance to decision makers regarding the purposes for which debt may be issued, types and amounts of permissible debt, timing and method of sale that may be used, and structural features that may be incorporated. Adherence to a debt management policy helps to ensure that Bernalillo County maintains a sound debt position and that credit quality is protected.

1. It is the intent of the County to establish a debt management policy to:
 - a. Ensure high quality debt management decisions
 - b. Impose order and discipline in the debt issuance process
 - c. Promote consistency and continuity in the decision making process
 - d. Provide all disclosures required by law and promote transparency
 - e. Strategic diagnosis for financial condition and demonstrate commitment to long-term financial planning objectives, and
 - f. Ensure debt management decisions are viewed positively by the investment community, taxpayers and rating agencies

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I. DEBT MANAGEMENT POLICY & GUIDELINES - Introduction

The County's Debt Management Policy & Guidelines provides for the following:

1. The County will evaluate the impact of debt amounts and debt service requirements of any new proposed debt within the overall context of outstanding debt.
2. Maintain Post Issuance Compliance Guidelines that formalize post issuance compliance controls and procedures related to the County's financial and legal obligations (see Appendix).
3. General obligation bonds approved by the voters shall be used to finance county capital projects.
4. Gross receipts tax revenue bonds shall be issued for capital projects that would either enhance the County's economic condition, or preserve or replace its major infrastructure.
5. Enterprise (solid waste) revenue bonds will be used for enterprise capital projects.
6. Special assessment districts, public improvement districts, or other self- supporting bonds, will be used for capital projects that benefit smaller segments of the County's population.
7. Inter-fund borrowing may be used as an alternative to conventional borrowing. The fund may be reimbursed preceding the sale of the bond.
8. The County shall not pledge any County revenues to its conduit bond financings or guarantee indebtedness of others. Furthermore, the County has no moral obligation to repay bondholders of conduit financings issued under its authority. The obligated borrower in conduit financing shall be responsible for complying with all arbitrage rebate requirements associated with the bonds and shall, prior to the closing of the bonds, enter into a contract for rebate services with a firm recognized as having expertise in performing arbitrage rebate calculations for tax-exempt bonds.
9. The County may use the services of qualified internal staff and outside advisors, including bond counsel, tax counsel, disclosure counsel, underwriters and financial advisors, to assist in the analysis, evaluation, and decision process.
10. The County shall select a method of sale that achieves the financial goals of the County and minimizes financing costs. Such sales can be competitive, negotiated or private placement, depending upon the project and market conditions. The recommendation by the County's Financial Advisor will be considered in the decision as to the most appropriate sale method. The recommended method of sale for each financing as recommended by the Debt Advisory Committee shall be subject to Commission approval.
11. The County shall make every attempt to earn and maintain the highest investment grade rating achievable.
12. Finance team members including Financial Advisors, Bond Counsel, Disclosure Counsel, Tax Counsel, Arbitrage Services and Underwriters will be selected in accordance with all applicable procurement laws, County Purchasing Department procedures and the Debt Management Policy & Guidelines ("Debt Policy"). The selection should maximize the quality of services received while minimizing the cost to the County. Selected underwriters and financial advisors shall adhere to the Municipal Securities Rule-making Board ("MSRB") and the Securities and Exchange Commission ("SEC") rules and regulations.
13. The County shall maintain good communications with bond rating agencies to ensure complete and clear understanding of the credit worthiness of the County.
14. Financial reports and bond official statements shall follow a policy of full, complete and accurate disclosure of financial conditions and operating results. Reporting with other relevant guidelines issued by the Securities and Exchange Commission ("SEC") and the Internal Revenue Service (IRS) to meet the disclosure needs of rating agencies, underwriters, investors and taxpayers.

15. Federal income tax laws restrict the ability to earn arbitrage in connection with tax-exempt bonds. Expenditure of bond proceeds shall be made to eliminate or minimize negative arbitrage.

II. DEBT ADVISORY COMMITTEE & DEBT POLICY ADMINISTRATION

1. A Debt Advisory Committee is created to administer the Debt Management Policy Guidelines. It is the role of the Debt Advisory Committee to develop and maintain a Debt Management Policy & Guidelines under the direction of the DCMF; to review and recommend action to the DCMF both the finance teams and structuring plans for all capital financings prior to the introduction of such legislation. The DCMF may employ the assistance of the County's retained Financial Advisor and Legal Counsel in the development and ongoing administration of its debt management responsibilities.

Key debt management administration responsibilities include but are not limited to:

- a. Develop and maintain comprehensive supporting guidelines in accordance with the County's Debt Management Policy & Guidelines.
- b. Annually assess the County's ability to issue and repay debt utilizing financial benchmarks specified within the County's Debt Management Policies & Guidelines.
- c. Review and evaluate results of debt financing operations including, but not limited to:
 - i. Issuance of long-term and short-term debt obligations,
 - ii. Selection of bond type, structure, methods of sale and marketing of bonds, and
 - iii. Investor and rating agency communications.
- d. Review expenditures of bond proceeds and the status of various projects being financed, including the capital improvement program for timeliness of spent bond proceeds.
- e. Review and evaluate services provided by Legal Counsel (including but not limited to Bond Counsel, Disclosure Counsel and Tax Counsel), Financial Advisor (s), Underwriters and other service providers in bond transactions for effectiveness and quality of service.
- f. Review and recommend changes annually to the Debt Management Policy & Guidelines based upon the DCMF's review of operations.
- g. Review and recommend changes annually to Post Issuance Compliance Guidelines that formalize post issuance compliance controls and procedures related to the County's financial obligations.
- h. Manage and maintain compliance under the Post Issuance Compliance Guidelines.
- i. Prepare an annual report to Commission on the following:
 - i. Results of previous year's financings,
 - ii. Rating agency reports and rating status,
 - iii. Bond capacity and relevant comparable financial ratios,
 - iv. All bond financings in progress or anticipated for the subsequent fiscal year, and
 - v. Any changes to the Debt Management Policy & Guidelines.
- j. When required, and under the direction of the County's Purchasing Director or designee, develop the selection criteria for issuance of a formal solicitation (Request for Proposals), to contract for services related to Financial Advisors, Bond Counsel, Disclosure Counsel, Tax Counsel, Underwriting Services and Arbitrage Rebate Service, serve as the Selection Committee, and recommend to the DCMF the selected finance team, in accordance with all

applicable laws and purchasing procedures.

2. A Debt Advisory Committee composed of the following positions shall serve as members of the Debt Advisory Committee:
 - a. Deputy County Manager of Finance
 - b. Finance Special Projects Coordinator
 - c. Director of Economic Development
 - d. Director of Accounting
 - e. Director of Budget
 - f. Director of Parks and Recreation
 - g. Public Safety Special Projects Coordinator
 - h. CIP Manager
 - i. The County Attorney, Accounting Officer, Treasurer and Assessor shall serve on the Committee in an ex-officio status. Other ex-officio participation, as deemed appropriate by the Committee is encouraged. The Debt Advisory Committee shall be chaired by the Deputy County Manager of Finance.
3. Members of the Debt Advisory Committee may designate staff to represent them.
4. Annual Debt Report
 - a. The DCMF will release an Annual Debt Report to the Commission. Such report will pertain to the prior fiscal year, and will include the following elements:
 - b. Calculations of appropriate ratios and measurements necessary to evaluate the County's credit, as compared with acceptable rating agency medians for similarly rated counties (those identified in the Debt Policy and any other such ratios and measurements as the Debt Advisory Committee shall deem appropriate).
 - c. Information related to any significant events affecting outstanding debt.
 - d. An evaluation of savings related to any refinancing activity.
 - e. A summary of any changes in Federal or State laws affecting the County's debt program.
 - f. A summary statement as to the overall status of the County's Debt Obligations and Debt Management activities.

III. DEBT AFFORDABILITY COORDINATION WITH THE LONG RANGE FINANCIAL PLAN AND CAPITAL IMPROVEMENT PROGRAM

1. As an important step within the annual development of the budget, the DCMF will annually assess the County's ability to issue and repay its debt. At a minimum, the DCMF shall review and evaluate proposed financing plans in conjunction with the long range financial plan, the capital improvement program, current financial position and financial policy to assess the County's ability to issue and repay its debt. The DCMF shall recommend how much new debt, if any, the County may authorize.

IV. DEBT AFFORDABILITY AND CAPACITY MEASURES

The approach, introduced in Table 1, is comprised of two levels of financial measures for evaluating debt capacity for general obligation and gross receipt revenue bonds. Level 1 establishes acceptable debt capacity measures as long-term average targets. Level 2 establishes quantitative upper limits for debt capacity that should generally not be exceeded. Once an upper limit is exceeded, projects requiring new debt need to demonstrate an economic benefit and overall conditions must allow benchmarks to return within the level 1 long term average target levels within five fiscal years or less.

TABLE 1.

G.O. BOND MEASUREMENTS			GRT BOND MEASUREMENTS
Level	Population's Ability to Pay	Burden on Taxable Property Values	Gross Receipts Tax (GRT) Only: Government's Current Debt Service Capacity
Level One 1	1. Direct Debt Per Capita as % of Income Per Capita $\leq 1\%$	2. General Obligation (G.O.) Debt Outstanding As % of Assessed Value of Taxable Property $\leq 2.00\%$ 3. Direct and Overlapping Debt Burden $\leq 8\%$ 4. Direct Debt as % of Full Value $\leq .66\%$	5. Annual GRT Debt Service as % of General Fund Adopted Budgeted Expenditures $\leq 5\%$ 6. GRT Debt Service Minimum Coverage from Pledged Revenue $\geq 400\%$ 7. General Fund Balance as % of Revenues $\geq 42\%$ 8. Reserve Requirements 8a. 3/12 Reserve Requirement: $\geq 25\%$ 8b. 2/12 Reserve Requirement: Unreserved and Undesignated Fund Balance as % of Revenues $\geq 16.67\%$
Level Two 2	1. Direct Debt Per Capita as % of Income Per Capita $\leq 3\%$	2. General Obligation (G.O.) Debt Outstanding As % of Assessed Value of Taxable Property $\leq 4.00\%$ 3. Direct and Overlapping Debt Burden $\leq 10\%$ 4. Direct Debt as % of Full Value $\leq 3.5\%$	5. Annual GRT Debt Service as % of General Fund Adopted Budgeted Expenditures $\leq 7.5\%$ 6. GRT Debt Service Minimum Coverage from Pledged Revenue $\geq 250\%$ 7. General Fund Balance as % of Revenues $\geq 30\%$ 8. Reserve Requirement 8a. 3/12 Reserve Requirement: $\geq 25\%$ 8b. 2/12 Reserve Requirement: Unreserved and Undesignated Fund Balance as % of Revenues $\geq 16.67\%$

(1) **Direct Debt Per Capita as a % of Income Per Capita**—Creditors and credit rating agencies measure the population's ability to pay by dividing direct debt (includes debt supported by general revenues and taxes such as G.O. bonds debt) by per capita income. Management will utilize the corresponding benchmarks as set forth in Table 1 to evaluate the population's ability to pay for outstanding and proposed debt.

- (2) **General Obligation (G.O.) Debt Outstanding as a Percent of Assessed Value of Taxable Property**— This measure evaluates the portion of long-term debt burden that is to be repaid by local property taxes. G.O. debt is limited by the State of New Mexico Constitution Article 9, Section 13, to 4.00% of the value of taxable property from the last assessment.
- (3) **Direct and Overlapping Debt Burden**— This measure evaluates the burden of direct and overlapping debt upon the broadest possible measure of the County’s property tax base. This measure expresses direct and overlapping debt as a percentage of Assessed Value. Management will utilize the corresponding benchmarks as set forth in Table 1 to evaluate the population’s ability to pay for outstanding and proposed debt. Overlapping jurisdictions with G.O. debt outstanding includes the State, School District, Flood Control Authority and College District.
- (4) **Direct Debt as Percentage of Full Value**— This measure evaluates the burden of governmental direct debt upon the broadest possible measure of the County’s property tax base. Direct debt is the amount of all long-term debt (generally debt supported by general revenues and taxes such as G.O. debt) less sinking fund accumulations and less self-supporting enterprise debt. Self-supporting enterprise debt is excluded because it is repaid exclusively from revenues generated by the enterprise activity for which the debt was issued, e.g. enterprise revenue bonds or project revenue bonds. Full Value is defined as total fair market value of taxable property in the County, plus any exemptions and exclusions. Management will utilize the corresponding benchmarks as set forth in Table 1 to evaluate the population’s ability to pay for outstanding and proposed debt.
- (5) **Annual GRT Debt Service as % of General Fund Adopted Budgeted Expenditures**— This measure helps management evaluate the government’s capacity to absorb additional debt. The measure is important because total appropriations may exceed governmental revenues. Table 2 shows typical ranges against which a rating agency generally evaluates a local government’s ability to repay tax secured debt.

TABLE 2.

Tax Secured Debt	High	Moderate	Low
GRT Debt Service as Percent of Governmental Expenditures	>10%	8%>measure>5%	<6%

- (6) **GRT Debt Service Minimum Coverage from Pledged Revenue**—The County must collect enough revenue from all pledged GRT increments to cover at least 400% of its actual annual direct GRT debt service obligations.
- (7) **General Fund Balance as Percentage of Revenues**—The General Fund Balance is the ending General Fund balance. The term “revenues” means total actual General Fund Revenues.
- (8) **Unreserved and Undesignated Fund Balance Reserve Requirements**—The unreserved and undesignated fund balance is described in the County’s Financial Statements.

V. FINANCING ALTERNATIVES

1. The County shall assess all financial alternatives for funding capital improvements prior to issuing debt. Pay-as-you-go financing should be considered before issuing any debt. Pay-as-you go financing may include: intergovernmental grants from federal, state and other sources, current revenues and fund balances; private sector contributions; public/private partnerships. Once the

County has determined that “pay-as-you-go” and intergovernmental or private sector grants are not a feasible financing option, the County may use Short-term or Long-term debt to finance capital projects.

2. The County will not fund current operations or normal maintenance from proceeds of long-term financing. The County will confine long-term borrowing and capital leases to capital improvements, projects, or equipment that cannot be financed from current financial resources. In an effort to conserve debt capacity, the County shall borrow only when necessary and utilize pay-as-you-go financing to the extent possible.

VI. SHORT TERM DEBT & INTERIM FINANCING (Maturity of one (1) year or less)

1. Short term obligations may be issued to finance projects or portions of projects for which the County ultimately intends to issue long term debt (or where cash is available in a debt service fund and can be “sponged” to retire bonds immediately thereafter); i.e., it shall be used to provide interim financing which shall eventually be refunded with the proceeds of long term obligations. Short-term obligations may be backed with a tax or revenue pledge, or a pledge of other available resources.
 - a. **Bond Anticipation Notes (BANs)**
 - i. BANs, including commercial paper notes issued as BANs, may be issued instead of capitalizing interest to reduce the debt service during the construction period of a project or facility. The BANs will not mature more than 1 year from the date of issuance.
 - b. **Tax and Revenue Anticipation Notes (TRANs)**
 - i. TRANs may be issued for cash flow purposes and used to bridge temporary cash flow deficits within a fiscal year. Typically, they would be issued at the beginning of the fiscal year and mature at the end of such fiscal year.
 - c. **Tax Anticipation Notes (TANs)**
 - i. TANs may be issued to fund cash flow shortfalls during the fiscal year. The proceeds of the TANs are used to alleviate temporary cash flow shortfalls and to finance the County’s daily operations in anticipation of tax revenues.
 - d. **Lines and Letters of Credit**
 - i. Where their use is judged by the DCMF and Debt Advisory Committee to be prudent and advantageous to the County, the County has the power to enter into agreements with commercial banks or other financial entities for purposes of acquiring lines or letters of credit that shall provide the County with access to credit under terms and conditions as specified in such agreements. Any agreements with financial institutions for the acquisition of lines or letters of credit shall be approved by the County Commission. Lines and letters of credit entered into by the County shall be in support of projects contained in the approved capital improvement plans or similar plans implemented by the County.

VII. LONG-TERM DEBT FINANCING (Maturity over one (1) year)

1. General Obligation Bonds (G.O.)
 - a. Long-term general obligation or revenue bonds shall be issued to finance significant capital improvements for purposes set forth by voters in bond elections and the capital improvement program or similar plans implemented by the County. G.O. bonds are secured by a pledge of the full faith and credit of the County. They are payable from ad valorem

property taxes, which are required to be levied in an amount sufficient to pay interest and principal on the bonds maturing in each year, pursuant NMSA 6-15-1 through 6-15-28, 1978.

2. Gross Receipts Bonds (GRT)

- a. GRT bonds may be issued in response to public need without voter authorization. Long-term debt may be incurred for only those purposes as provided by the State Constitution or State Law, which include capital improvements and long-term assets associated with, but not limited to constructing, acquiring, improving etc. county or public parking lots, structure or facilities or any combination of the foregoing, pursuant NMSA 4-62-1 to 4-62-10, 1978.

3. Enterprise Revenue Bonds

- a. In addition to G. O. and GRT bonds the County may from time to time find it necessary to issue bonds secured by revenues of its enterprise systems (such as Solid Waste).
- b. In order to ensure adequate debt service coverage the County shall determine that the Net Pledged System Revenues for the Fiscal Year immediately preceding the date of issuance of such additional parity bonds or parity obligations shall have been sufficient to pay an amount representing one hundred thirty (130%), of combined average annual principal and interest requirements of the outstanding parity bonds and other parity obligations of the County payable from and constituting a lien upon the pledged revenue and the parity bonds or other parity obligations proposed to be issued (excluding accumulation of any reserves therefore), pursuant NMSA 4-62-1 to 4-62-10, 1978.

4. Enterprise Rate Covenant

- c. Rates for services rendered by the enterprise systems (such as Solid Waste) shall be reasonable and just, taking into account the cost and value of the System, operation and maintenance expenses, proper allowances for depreciation and the amounts necessary to retire all bonds payable from the revenues, and any accumulation of reserves therefor. There shall be charged against all users, including the County, rates and amounts, which shall be increased from time to time if necessary, sufficient to produce revenues to pay the annual operation and maintenance expenses, the accumulation of reserves and annual renewal and replacement fund requirements, if any, and 130% of the annual principal of and interest of all outstanding bonds and other obligations payable from the Pledged Revenues. No free services of the enterprise shall be furnished by the County. Any use of the System by the County shall be paid for from the County's general fund at the reasonable value of the use so made, pursuant NMSA 4-62-1 to 4-62-10, 1978.

5. Conduit Financings

- a. The Economic Development Department, with review and concurrence of the Debt Advisory Committee, shall prepare and maintain a Conduit Financing Policy.
- b. The County may sponsor conduit financing for activities that have a general public purpose and are consistent with the County's overall service and policy objectives as described in the Conduit Financing Policy. The County will require third parties to provide information to the County as the County deems appropriate or necessary, including the provision of annual financial statements. Conduit financings do not in any way pledge the County's faith and credit, pursuant NMSA 4-62-1 to 4-62-10, 1978.

2. Special Assessment District Bonds (SADs)

- a. The County may issue SAD bonds. A SADs with debt service limited to revenues from assessments against those who directly benefit from the project the funds have been used to finance, pursuant NMSA 4-55A-1 through 4-55A-43, 1978.

VIII. ISSUANCE OF DEBT OBLIGATIONS

1. All County debt shall be issued in accordance with the following policies:

- a. Conditions of Sale

Unless otherwise justified, the issuance and sale of all County bonds, notes, loans and other evidences of indebtedness shall be subject to the following parameters:

- i. Principal and interest on all outstanding debt shall be paid in a full and timely manner,
 - ii. Debt shall be incurred only for those purposes as provided by State Statute or under its constitutional powers or resolutions,
 - iii. Capital improvements or resolutions should be developed, approved and financed in accordance with County Ordinances and the capital improvement budgeting process,
 - iv. The payment of debt shall be secured by the full faith, credit and taxing power of the County, in the case of general obligation bonds, and by the pledge of specified limited revenues accounted for in special funds, in the case of revenue and special assessment district bonds,
 - v. Prior to the issuance of debt, the County will identify the revenue source and find that the revenue source is sufficient to pay debt service over the expected repayment timeframe when considering current and proposed debt,
 - vi. Principal and interest retirement schedules shall be structured to: (1) meet available cash flow available to service debt, (2) achieve a low borrowing cost for the County, (3) accommodate the debt service payments of existing debt and (4) respond to perceptions of market demand. Shorter maturities shall always be encouraged to demonstrate to rating agencies that debt is being retired at a sufficiently rapid pace,
 - vii. Debt incurred shall generally be limited to obligations with serial and term maturities but may be sold in other structures if circumstances warrant and recommended by the Debt Advisory Committee,
 - viii. The average life of the debt incurred should be no greater than the projected average life of the assets being financed.

- b. Methods of Sale

- i. Debt obligations in the form of bonds, notes, loans or other evidences of indebtedness of the County may be sold by competitive, negotiated sale or private placement methods unless otherwise limited by state law. The selected method of sale shall be the option which is expected to result in the lowest cost and most favorable terms given the financial structure used, market conditions, and prior experience with each method.

IX. SELECTION OF DEBT STRUCTURES

1. In order to minimize interest rate risk the preference of the County is to issue fixed rate debt however if an alternative structure is determined to be preferential the County may adopt an alternative bond structure subject to the defined constraints described herein:

a. Variable Rate Bonds

- i. The proportional amount of debt attributable to specific pledged revenue that shall be issued in the form of unhedged variable rate securities shall be limited to a maximum of 20% of the total outstanding debt for which that revenue is pledged. In the case of tax supported variable rate debt, the level of variable rate shall not exceed 20% of the then outstanding tax supported debt which includes General Obligation, County Gross Receipts Tax debt, enterprise debt, and SAD bonds that have been credit enhanced by the pledge of tax income.
- ii. Periodically, the Debt Advisory Committee with assistance from the financial advisor shall analyze each outstanding variable rate issue to determine if the issue should be converted to a fixed rate or otherwise hedged.

b. Liquidity and Credit Enhancement Facilities

- i. The County may seek to use liquidity or credit enhancement when such enhancement proves to be cost effective or to improve or establish a credit rating. When their use is judged prudent and advantageous to the County, the DCMF shall have the authority subject to County Commission approval to enter into agreements with commercial banks or other financial entities for the purposes of acquiring lines or letters of credit, bond insurance or surety policies, etc. Selection of enhancement providers is subject to a competitive bid process developed by the DCMF and financial advisor and recommended by the Debt Advisory Committee.

Prerequisite to use:

1. The present value of the estimated debt service savings from the use of credit enhancement should be at least equal to or greater than the premium paid by the County to obtain such credit support; and
2. Criteria to be used in the appointment of credit provider include:
 - a. An objective evaluation of responses to a request for qualification
 - b. The short-and long-term credit ratings of the institution and the relative trading level of debt support by such credit provider
 - c. Institution's experience with providing liquidity facilities to municipal bond issuers
 - d. Competitiveness of fees submitted, interest charged on liquidity draws, maximum legal and administrative fees
 - e. Ability to agree to County and state legal requirements; and
 - f. Number and amount of liquidity facilities currently outstanding in the market

c. Optional Redemptions

- i. The County's bonds may be subject to optional redemptions and early calls, consistent with the objective of paying the lowest possible interest cost. Early calls may permit the County to act upon decreases in interest rates by refinancing debt for the purpose of realizing debt service savings. The County and its financial advisor will evaluate optional redemption provisions for each issue so the County does not service its debts at unacceptably higher interest rates. Debt will be structured with shortest optional redemption date which does not materially increase cost.

d. Reserve Requirements & Bond Insurance

- i. In the issuance of bonds the County may find it necessary to fund a reserve fund or acquire bond insurance in order to achieve the lowest possible interest cost. In each instance the County and its financial advisor will determine the appropriate reserve and or insurance option that allows for the lowest achievable interest cost while maintaining the marketability of the County's bonds.

X. REFUNDINGS

1. Refunding Bonds: The County shall consider refunding outstanding debt in order to:

- a. Generate interest rate savings,
- b. Restructure principal, or
- c. Eliminate burdensome bond covenants.
- d. A present value analysis shall be prepared that identifies the economic effects of any refunding proposed. Prominent among these are:
 - i. Time to call date,
 - ii. Time remaining to call date,
 - iii. Negative arbitrage per maturity, and
 - iv. Shape of debt service savings.

2. Current Refunding's

- a. Requires that the refunding escrow may not exceed 90 days as described in Table 3, An advance refunding transaction shall require a present value savings at least of the principal amount of the refunding debt being issued and shall incorporate all costs of issuance expenses. A maturity by maturity analysis shall be conducted to determine if threshold is met.

3. Advanced Refunding's

- a. Requires the refunding escrow duration to exceed 90 days. Governmental bonds issued after 1985 may not be advance refunded with tax-exempt bonds more than once. Consequently, the County should carefully weigh the benefits and opportunity costs of such an action; and unless otherwise justified an advance refunding transaction shall require a present value savings of at least the principal amount of the refunding debt being issued and shall incorporate all costs of issuance expenses. A maturity by maturity analysis shall be conducted to include a determination of the negative arbitrage incurred in connection with the escrow established for a particular maturity. To be considered, the negative arbitrage for a particular candidate shall not be greater than the net present value savings generated by that candidate.
- b. The chart below illustrates the savings matrix for a fixed rate refunding of existing fixed rate bonds so that each individual bond maturity generates a net present value savings of at least the following:

Table 3.

Minimum NPV Savings Decision Matrix				
Years from Call Date to Maturity Date	Years to Call Date			
		0 - 2	3 - 7	8 - 10
	0 - 5	0.50%	3.00%	3.00%
	6 - 10	3.00%	3.00%	4.00%
	11 - 15	3.00%	4.00%	5.00%
	16 - 20	4.00%	5.00%	5.50%

XI. INVESTMENT OF BOND PROCEEDS

1. Bond Proceeds will be invested pursuant to the County's Investment Policy. If the Investment of Bond Proceeds is not addressed within the County's Investment Policy or in the absence of a policy the proceeds will be invested in US Treasury and or US Government Agency securities.

XII. APPOINTMENT OF PROFESSIONALS

1. To provide systematic technical advice and support to the County and for the efficient competitive, negotiated or private placement sale of County debt the Commission shall approve the selection of qualified professionals including Legal Counsel, Financial Advisor (s) Arbitrage Rebate Services, and underwriters.
2. Such selection of qualified professionals shall be based on an evaluation of competitive proposals for a combination of advisory and underwriting services, as recommended to the County Commission by the DCMF. In no case may the financial advisor on any County credit serve as an underwriter in compliance with MSRB rules and regulations.
 - a. Term of Appointments
 - i. Appointments shall be effective for a term of four (4) years from the date of ratification of the award by the County Commission, unless otherwise amended by the County Commission.
 - b. Selection Process
 - i. The Debt Advisory Committee shall periodically publish a RFP that invites concurrent proposals from individual offerors to provide services in support of each of the County's anticipated projects.
 - c. Blackout Periods Imposed
 - i. Communication about an RFP or the selection process with members of a financial advisor, or underwriting proposal review committee, County employees, or elected officials of the County by any employee or representative of an underwriting team under consideration for selection is explicitly prohibited from the date of publication of such RFP until recommendation of award by the Commission.
 - ii. Failure to comply with this requirement shall result in the applicant's disqualification.
 - d. Selection Criteria

In order of priority, criteria to be used in the appointment of qualified financial advisor and underwriters shall include, but are not limited to:

- i. Demonstrated ability of the firm to structure an issue of debt utilizing the contemplated credit structure(s) efficiently and effectively,
 - ii. Experience of assigned personnel,
 - iii. Approach to proposed scope of work, including quality and applicability of proposed financing ideas,
 - iv. Demonstrated capability to sell bonds to institutional and retail investors, especially to investors located in New Mexico (underwriters only),
 - v. Demonstrated commitment and capacity of the underwriting firm or firms to put its firm's capital at risk, especially as evidenced by having successfully bid on prior competitive sales of County debt or by having underwritten the County's debt in adverse markets (underwriting firms only),
 - vi. Demonstrated secondary market support for debt which the underwriting firm or firms are retained, especially for the specific credit which is to be pledged (underwriting firms only),
 - vii. Fees and expenses,
 - viii. Weights for the above criteria may vary and shall reflect the unique requirements of the proposed engagement and
 - ix. Other factors. Other Factors are defined as those factors that have not been included as technical selection criteria, but are factors that in some instances must be considered in making the final selection. Their nature will not permit a meaningful numerical predetermination of relative significance of impact on the selection decision, and therefore, they are not numerically scored.
- e. Failure to provide complete disclosure for each of the offeror firms to the following questions or misrepresentation shall result in disqualification. The provider must certify that, to the best of its knowledge, the information submitted in response to this section is accurate, complete and not misleading.
- f. Conflicts of Interest
- i. Each offeror shall list all potential conflicts of interest of which the firms have knowledge of which may arise with respect to the representation of the County on this proposal, including, without limitation, any circumstances which would create the appearance of a conflict of interest.
 - ii. Each offeror shall disclose any political contribution, gift or fund-raising, either direct or indirect, valued in excess of \$250.00 (singularly or in the aggregate) made by the firms or individuals at the firms to any elected official or person seeking office in the state of New Mexico in the last five (5) years; any current, proposed or past financial or business relationship or arrangement between a firm or any individual at the firm and any County Commission member, officer or employee of the County; and any other actual or potential conflict which may give rise to a claim of conflict of interest.
 - iii. Each offeror shall provide acknowledgement that it has complied with all Municipal Securities Rulemaking Board ("MSRB") rule G-37 filings, and shall document specific breaches of the Rule for which sanctions were imposed. The offers shall only be required to provide any supplementary information requested by the

County.

g. Regulatory Action

- i. Each offeror shall disclose any judicial or administrative proceedings of public record that have been filed against the firm during the five (5) years preceding the date of the proposal that concerned the offeror participation in a securities transaction.
- ii. Each offeror shall list and describe the current disposition or status of any litigation or formal or informal action taken by any state or federal securities commission, the MSRB, or any other regulatory body against the firm (or taken against any individuals now at the firm who will work under this contract) within the last five (5) years.
- iii. Each offeror shall disclose employment practices and describe the current disposition or status of any litigation or formal or informal action taken by the Equal Employment Opportunity Commission or any other regulatory body against the firm within the last five (5) years with respect to its employment practices.

XIII. INVESTOR AND RATING AGENCY COMMUNICATIONS

1. Disclosure

- a. It is the County's policy to provide primary and secondary disclosure to all its bond investors on a periodic basis as required by the Securities and Exchange Commission (SEC) Disclosure Rule 15c2-12 and SEC Antifraud Provision Rule 10b-5 and Municipal Securities Rulemaking Board (MSRB) Rule G-36 as stated below:
- b. SEC Disclosure Rule 15c2-12 requires that issuers of municipal securities undertake in a written agreement or contract for the benefit of holders of such securities to provide certain annual financial information to various information repositories.
- c. SEC Antifraud Provisions Rule 10b-5 requires that disclosure made by issuers of municipal securities be both accurate and complete in all material respects at the time the disclosure is provided.
- d. MSRB Rule G-17 requires, in the conduct of municipal securities or municipal advisory activities, each broker, dealer, municipal securities dealer, and municipal advisor shall deal fairly with all persons and shall not engage in any deceptive, dishonest or unfair practice.
- e. MSRB Rule G-23 establishes ethical standards and disclosure requirements for brokers, dealers, municipal securities dealers who act as financial advisors to issuers with respect to the issuance of municipal securities. Firms are prohibited from engaging in Underwriting and Remarketing activities with issuers of municipal securities with whom they maintain a financial advisory relationship, as defined by MSRB Rule G-23.
- f. MSRB Rule G-36 requires filing by the broker dealer of the Official Statement within 10 days of the Bond Purchase Agreement execution.
- g. The County acknowledges the responsibilities of the underwriting community and shall assist underwriters in their efforts to comply with SEC Disclosure Rule 15c2-12, SEC Antifraud Rule 10b-5 and MSRB Rule G-36.

2. Official Statement Filing - Primary Disclosure
 - a. The County shall file its official statements with the MSRB, all nationally recognized municipal securities repositories (EMMA which is currently the only nationally recognized municipal securities repository).
3. Comprehensive Annual Financial Report
 - a. The County shall provide its comprehensive annual financial report and shall disseminate other information that it deems pertinent to the market in a timely manner. The County shall file its CAFR with EMMA on a timely basis as required.

XIV. SECURITIES DISCLOSURE POLICIES AND PRACTICES OF ADMINISTRATION OFFICIALS

1. In connection with the issuance of certain bonds, notes, and other municipal securities, the County is required to prepare and disseminate certain disclosure information in order to comply with Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, including a requirement for continuing disclosure of annual financial information and notices of certain material events. This policy shall centralize the information dissemination process, establish appropriate controls on disclosure statements made by the County and enable the County and its enterprises to comply with Rule 15c2-12, in order to assure the County's access to the capital markets as a source of funds for necessary and useful public undertakings of the County. This policy is not intended in any way to limit any person's access to public records or information, nor to infringe upon the normal political process, in particular the right of any elected official of the County to review, discuss, release, comment upon or criticize any information.
2. Policy
 - a. The DCMF shall be responsible for reviewing and approving, prior to release to the public, all official statements and disclosure statements relating to municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12.
 - b. No official statement relating to any municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12 shall be issued or released to the public until and unless approved in writing by the DCMF.
 - c. No disclosure statement concerning municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12 shall be made, issued or released to the public by any employee, agent or official of the County until and unless such disclosure statement and the release thereof shall be approved in writing by the DCMF.
 - d. The County shall not bind itself pursuant to an undertaking relating to securities, such as certain types of private activity bonds, as to which is not an obligated person for purposes of Rule 15c2-12. No undertaking relating to municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12 shall be binding upon the County without the written approval of the DCMF.
 - e. No disclosure statement, official statement or undertaking in respect of any municipal securities as to which the County is the issuer or an obligated person for purposes of Rule 15c2-12 that is issued or released to the public by any employee, agent or official of the County without the express written approval of the DCMF as required by this policy shall be deemed to be a statement or undertaking by or on behalf of the County.

3. Action

- a. Unless otherwise required by law, prior to releasing to the public any official statement or disclosure statement intended to be made public, all non-elected employees, agents and officials of the County shall report to and file with the DCMF any such proposed disclosure statement, together with such additional information requested by the DCMF, including certificates as to the accuracy of such disclosure statement, and each such employee, agent and official of the County shall consult with the DCMF concerning such proposed official statement or disclosure statement.

4. Published disclosure statements

- a. All information and documentation requested by the DCMF that may be required to support the preparation of a disclosure statement, official statement or undertaking shall be provided by the appropriate County departments, as identified by the DCMF, on a timely, complete, and accurate basis.
- b. All disclosure statements, official statements and undertakings shall be compiled by disclosure counsel and reviewed by the DCMF and other counsel who are parties to the documentation. They shall be afforded, by the originating department, such unobstructed access to documentation and information, as they may deem appropriate.

5. Rating agency, investor and media communications

- a. All communications with rating agency personnel, including responses to their periodic questions, shall be managed through and approved by the DCMF.
- b. In order to ensure uniform market access to information that may be relevant to the valuation of the County's securities, the release of any information, whether in response to an ad hoc question or self initiated, that may be potentially relied upon by the market to impute the credit worthiness of the County's debt, whether intended for that purpose or not, shall be reviewed by the DCMF and Disclosure Counsel to determine whether or not:
 - i. The information is already in the public domain;
 - ii. The information is a disclosure event as defined by the SEC, requiring prompt notification of the MSRB for EMMA filing; and
 - iii. The information is full, accurate, complete and not misleading.